

GAO

September 1990

LOW-INCOME HOME ENERGY ASSISTANCE

Legislative Changes Could Result in Better Program Management



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Human Resources Division

B-240849

September 7, 1990

The Honorable Christopher J. Dodd
Chairman, Subcommittee on Children, Family,
Drugs, and Alcoholism
Committee on Labor and Human Resources
United States Senate

The Honorable Dale Kildee
Chairman, Subcommittee on
Human Resources
Committee on Education and Labor
House of Representatives

The Honorable Tom Harkin
Chairman, Subcommittee on Labor, Health
and Human Services, Education
and Related Agencies
Committee on Appropriations
United States Senate

Authorizing legislation for the Low-Income Home Energy Assistance Program (LIHEAP) block grant requires GAO to evaluate the use of LIHEAP funds by states at least every 3 years. During our ongoing review, we identified two issues concerning LIHEAP funding that suggest a need for possible congressional action to help the Department of Health and Human Services (HHS) and the states better manage this program. First, use of a forward funding¹ arrangement would make LIHEAP funds available in time to allow HHS to tell states exactly how much money they would receive before they open their winter heating programs. Second, providing for some discretionary funding flexibility would enable HHS to quickly respond to unanticipated increases in home heating costs due to severe weather or a sharp rise in fuel prices. We are reporting on these matters now, at your request, because the Senate reauthorization bill for LIHEAP includes a forward funding proposal. Additional reports on LIHEAP will be forthcoming in the near future.

Background

Under LIHEAP, states assist eligible households in meeting costs associated with home heating and cooling needs. Heating assistance makes up

¹Forward funding is budget authority that is made available for obligation beginning in the last quarter of the fiscal year for financing grant programs during the next succeeding fiscal year.

over 75 percent of program expenditures. States generally accept applications and make awards for this assistance from the early fall until mid-spring.

The federal government distributes funds to the 50 states, Indian tribes, territories, and the District of Columbia. The states² receive their funds based on a statutory formula. Each state then tailors its own program to meet the needs of its low-income households. HHS administers LIHEAP. Within HHS, the Office of Energy Assistance, in the Family Support Administration, is responsible for overseeing LIHEAP's implementation nationwide.

Scope and Methodology

We judgmentally selected four states—Georgia, Idaho, New Hampshire, and Ohio—for our statutorily mandated review. A principal focus of our overall review was state responses to federal funding cuts that occurred between fiscal year 1986 and 1989. We interviewed officials from and reviewed records of (1) the state agency responsible for administering LIHEAP, (2) a local administering agency providing LIHEAP services to an urban area, and (3) a local agency providing services to a rural area. We conducted our review between November 1989 and April 1990 in accordance with generally accepted government auditing standards. At your request we did not obtain written agency comments on a draft of this report. We did, however, discuss it with LIHEAP officials and considered their views in the final report.

Results in Brief

States are limited in their abilities to manage their heating assistance programs because they normally receive LIHEAP funds after the heating season has begun and after they have decided on the benefits they will provide to eligible participants. In addition, HHS does not have sufficient flexibility to respond to unanticipated energy cost increases that can occur as the result of unusually severe weather conditions or fuel price increases. HHS and the states could better manage this program if (1) it were forward funded so the states would know exactly how much federal assistance they would receive before they begin accepting and approving applications for heating assistance, and (2) HHS had some discretion in the manner in which funds are allocated to the states to enable it to react to unanticipated energy-related circumstances.

²As used in the remainder of this report, "states" refers to the 50 states and the District of Columbia, but excludes Indian tribes and territories.

Planning for Heating Needs

State heating programs generally begin before federal LIHEAP funding allocations are known. At that time, states do not know how much federal funding they will receive and consequently cannot efficiently plan their programs.

States generally submit their annual LIHEAP plans to HHS in September or October. These plans specify the benefits to be provided to eligible households during the heating season, which for many states begins by November. However, the federal appropriation for LIHEAP is usually not passed by then. HHS tries to inform the states of their LIHEAP allocations within 1 to 2 weeks after it receives appropriation data from the Office of Management and Budget. This is, however, often weeks or months after the state heating assistance programs have begun.

For the past 3 fiscal years, HHS has notified states of their LIHEAP allotments in November or December. For example, in fiscal year 1989, states were notified of their allotments on November 9, 1988. Thirty-eight states had started their heating programs before that date.

One strategy used by the federal government to deal with such situations in other programs is forward funding, whereby budget authority is made available to obligate funds in the last quarter of a fiscal year to finance the next year's activity. This strategy has been used in the training and employment area to provide appropriations for a program year that starts in one fiscal year and extends into the following year. For example, under the Job Training Partnership Act, the program year runs from July 1 to June 30. Appropriations made for any fiscal year are used to fund the program beginning in July of that fiscal year and extending to June of the following year.

Federal delays in providing allocation information, some state officials said, resulted in fewer households being served and program funds being carried over to the following year. For example, in anticipation of fiscal year 1988 LIHEAP funding cuts, Georgia reduced the allocation of funds to its local administering offices. When the state learned that it would receive more federal funds than expected, it was too late to re-allocate these funds. As a result, in fiscal year 1988, LIHEAP provided fewer Georgia households with heating assistance and the state spent less funds than it would have, had it known earlier the level of federal funding it was to receive. The additional federal funds the state received were carried over to the next fiscal year.

In fiscal year 1989, Georgia opened its winter heating program on January 3, 1989, rather than the usual October 1 (1988) date. By waiting, the state hoped it could tell its local administering agencies the exact amount of funds they would receive so they could better plan their programs. In doing so, however, the state delayed in providing benefits to eligible applicants.

Responding to Unanticipated Heating Cost Increases

The demand for LIHEAP assistance varies, depending in part on the severity of the weather. Demand, however, is not uniform throughout the country. Weather conditions and fuel prices can and do vary by region and state. Consequently, the need for federal assistance will vary. Three times in the past decade, the Congress has passed supplemental appropriations when funding ran short before winter ended. Typically, however, these funds have arrived after the critical need for them had passed. HHS would be in a position to react to unanticipated circumstances and better manage the program if, in emergency situations, it had more discretion to allocate funds to the states, or had authority to reprogram or borrow funds from other sources available within the Department.

The 1984 Supplemental Appropriation

The Congress passed a \$200 million LIHEAP supplemental appropriation on March 30, 1984, in response to a colder-than-usual winter nationwide. These funds were distributed to all states on the basis of the program's statutory formula rather than just to those experiencing the worst crisis. Ten states specifically informed HHS that these funds arrived too late to be used that year and that they carried them over to fiscal year 1985. Consequently, some of this funding was not used that year; about 8 percent of fiscal year 1984 funds were carried over to fiscal year 1985.

The 1990 Supplemental Appropriation

On May 25, 1990, the President signed into law an emergency supplemental LIHEAP appropriation of \$50 million for fiscal year 1990 (P.L. 101-302) in response to increased needs for heating assistance resulting from the severe winter weather in December 1989. Nationwide, the weather was 27 percent colder than normal for that month. The statute directs that these supplemental funds remain available until October 31, 1990, and be distributed on the basis of the relative needs of states and other eligible entities.

HHS directed the states to submit applications for assistance by June 29, 1990, and advised them that, based on the legislative history, these funds must be spent for activities specifically related to the fiscal year 1990 heating season. Funds not obligated by October 31, 1990, must be returned to HHS. States did not, however, receive these additional funds until the last quarter of fiscal year 1990—months after the close of the heating season, when these funds were most needed.

One state that experienced record cold temperatures in December 1989 was New Hampshire. As of January 1990, the state had received 2,000 more applications for LIHEAP assistance than during the same period in 1989 (an 11-percent increase). The state, which uses mostly fuel oil for heating, attempted to cope with a rapid rise in heating oil prices and demand for assistance by eliminating its practice of using lines of credit to assure program participants that benefits would be provided. Instead, the state approved payments only after each fuel delivery, pending the availability of funds. Because of the severity of the winter and the increased demand for assistance, New Hampshire had insufficient funds to provide all the assistance requested.

In this case, HHS might have been able to better react to the increased demand for assistance resulting from the severe December weather if it had some discretion on how to use some available funds or authority to borrow or reprogram other funds on an emergency basis.

Conclusions

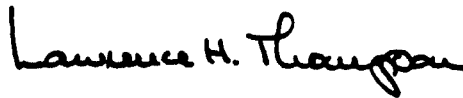
States generally do not know the amount of federal funding they will receive before they open their annual heating programs. Therefore, they do not know how high they can set benefit payments without running the risk of running out of funds. In addition, unanticipated circumstances, such as the extended severe cold period in December 1989, place HHS and the states in situations requiring flexibility. Various strategies could be used to provide HHS with such flexibility. For example, the Congress could (1) set aside a portion of the LIHEAP appropriation to be distributed at the discretion of the Secretary of HHS in response to unanticipated increases in home heating costs or (2) provide HHS with authority to reprogram or borrow funds available to it for other purposes, perhaps up to a predetermined dollar or percentage limit.

Matters for Consideration by the Congress

To help HHS and the states better manage LIHEAP, the Congress should consider (1) forward funding the program, making funds available early enough in each year so HHS can notify states of the exact amount they will receive before they open their heating programs and (2) giving HHS some discretionary funding flexibility, as discussed above, to enable it to quickly respond to unanticipated circumstances.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to the Secretary of Health and Human Services; the Director, Office of Management and Budget; appropriate congressional committees; and other interested parties.

This report was prepared under the direction of Linda G. Morra, Director, Intergovernmental and Management Issues. Should you or your staffs have any questions concerning this report, please call her on (202) 275-1655. Other major contributors are listed in appendix I.



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